
Transatlantic Business & Investment Council (TBIC) Quarterly: Transatlantic Foreign Direct Investment Analysis & Trends

3rd Quarter 2022

[Data for Q1 2022]

The Transatlantic Business & Investment Council (TBIC) is the official European representative for selected counties, cities and corporations from over 30 U.S. States. It is our mission to promote transatlantic trade and investment. To that end, TBIC bridges the gap between U.S. Economic Development Organizations (EDOs) and European investors looking to enter or expand in the U.S. market.

This latest issue of our quarterly features an analysis of the newly published preliminary (p) data for Q1 2022 and partially revised data (r) for Q4 2021, as recently released by the [U.S. Bureau of Economic Analysis \(BEA\)](#). With \$67.9 billion worth of investment, the first quarter of 2022 finished 46 percent below Q4 2021, which, according to the latest revised figures, witnessed the strongest inflow of FDI to the United States since 2018.

This downward trend is also reflected in the preliminary numbers for the food and machinery sectors, which saw investment decline compared to Q4 2021. Investment also decreased in the transportation equipment sector but with an estimated \$2.9 billion quarterly investment flow in Q1 2022 compared to \$ 3.5 billion in Q4 2021, it performed better than the other two sectors mentioned above.

This edition also includes a time series focusing on Swiss foreign direct investment to the United States. According to the [Swiss Embassy in the U.S.](#), the U.S. is Switzerland's most important destination for foreign direct investment. Swiss companies have invested more in the U.S. than in Germany, France, Italy and the UK combined. In return, the [Swiss National Bank](#) assesses the investment income from U.S. direct investment in Switzerland (by domicile of the ultimate beneficial owner) to be \$37.8 billion (CHF 37 billion) in 2020, more than half of all investment income in the country.

Despite having a relatively small population of 8.7 million inhabitants, comparative e.g. to the state of New Jersey, Switzerland's FDI position in the U.S. ranks sixth among European countries, right behind the Netherlands (17 million inhabitants) and ahead of Spain (46.7 million inhabitants) and Italy (60 million inhabitants). In terms of exports and imports, the U.S. is Switzerland's second most important trading partner after Germany and its most important export destination according to the [Swiss Federal Office for Customs and Border Security](#).

In this analysis, the TBIC corroborates relevant country data with its own experience of working at the frontier of transatlantic investments: the TBIC regularly visits key markets in Europe that

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have become drivers of FDI in the United States as part of delegation trips offered exclusively to our members. These trips feature meetings with decision-makers from companies looking to invest in the United States as well as key multipliers from diplomatic missions and industry associations. In September, we will again welcome our U.S. members to Europe and facilitate meaningful and fruitful connections with prospective investors from Southern Germany and Switzerland.

In addition to our FDI analysis, this edition features our latest spotlight article on the booming EV battery industry and provides an in-depth outlook on developments and trends we can expect in the months and years ahead.

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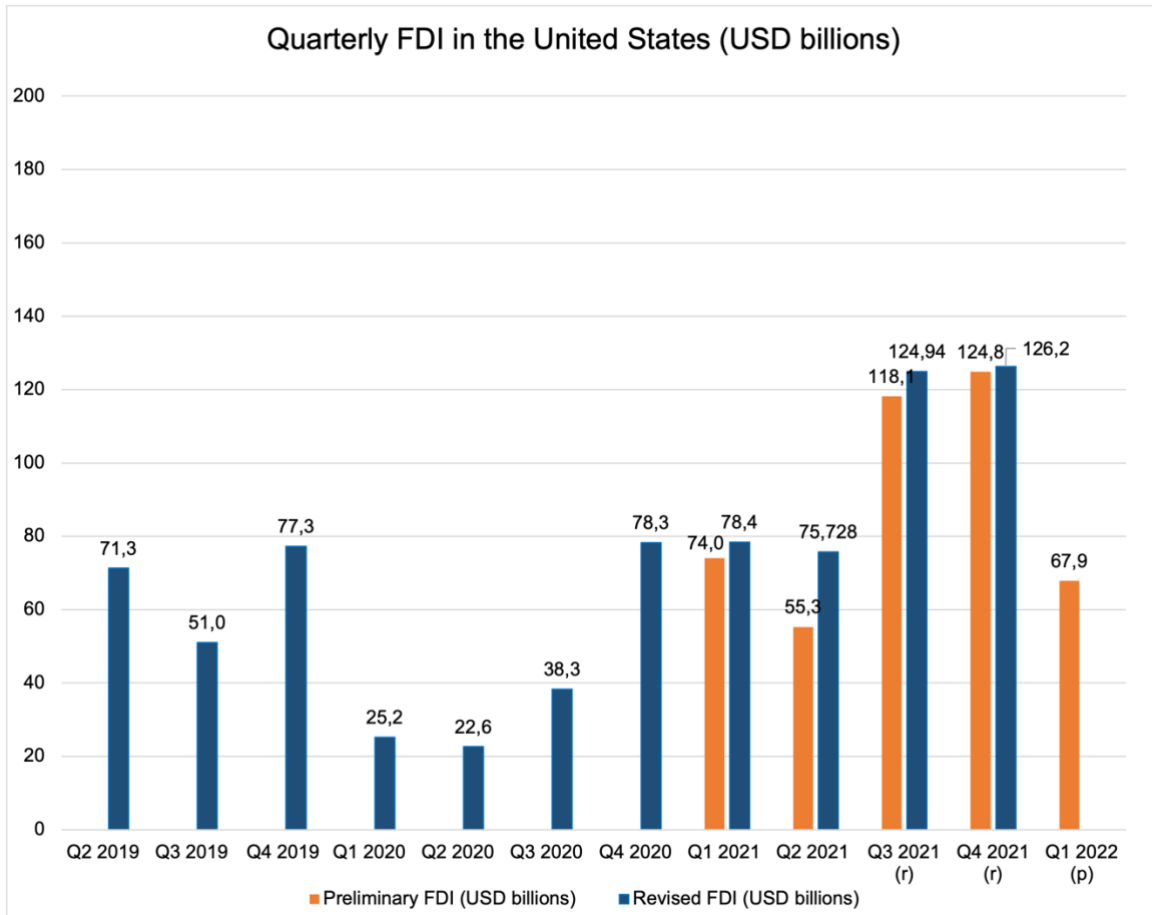
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Foreign Direct Investment in the United States: Key Figures



Source: Bureau of Economic Analysis (BEA), U.S. International Transactions, First Quarter 2022, June 2022.

- In the recently published data of the [Bureau of Economic Analysis](#), the quarterly FDI inflows for the fourth quarter of 2021 were revised upward from \$124.8 to \$126.2 billion.
- Meanwhile, the preliminary data for the first quarter of 2022 projects a volume of inward investment of \$67.9 billion, the lowest quarterly volume since Q2 2020. On a year-to-year basis, FDI inflows in Q1 2022 were approximately 13 percent lower than in Q1 2021.
- On June 9, UNCTAD published its [2022 World Investment Report](#). Accordingly, the U.S. was the largest recipient of FDI in 2021 with a total FDI inflow of \$367 billion, the third highest level ever recorded. In line with this growth momentum, UNCTAD estimates greenfield project announcements in the U.S. rose by 28 percent in 2021. However, UNCTAD projects global FDI flows will likely decline or stagnate this year due to several factors including the war in Ukraine and interest rate rises in the U.S. and Europe,

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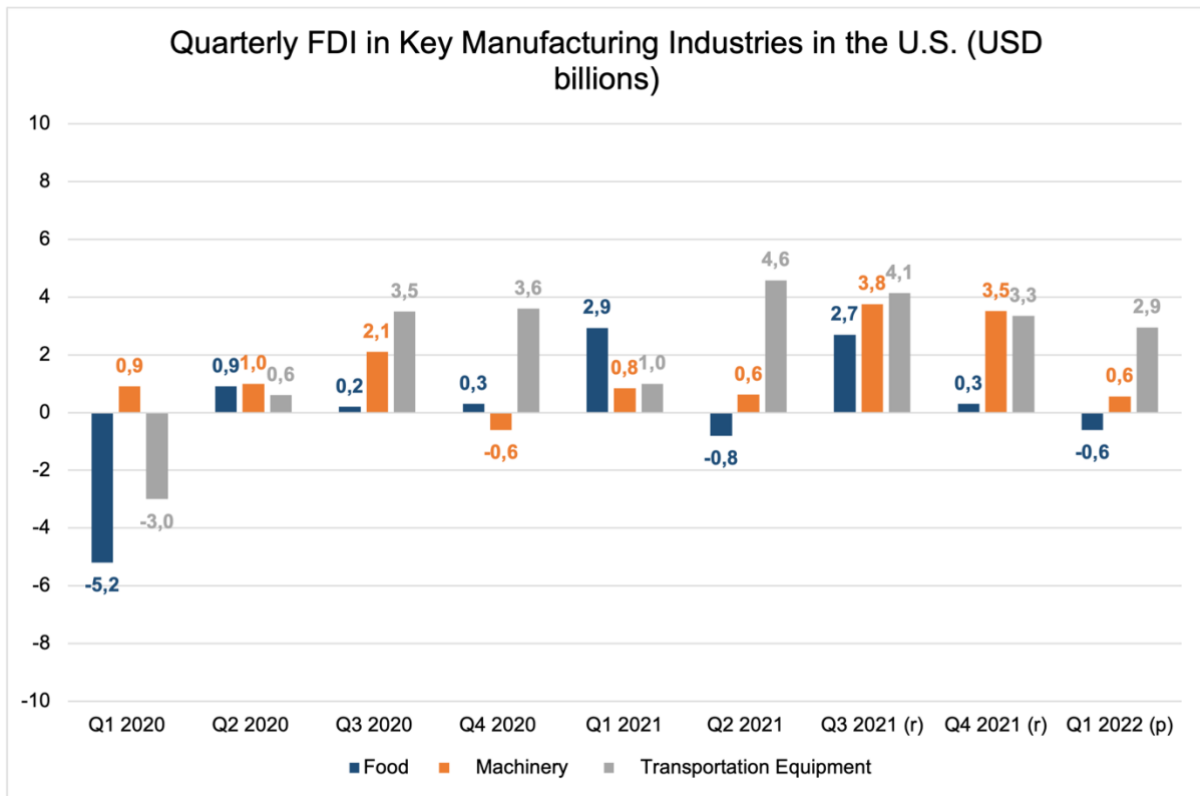


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2022.

- The newly released BEA preliminary data for Q1 2022 shows a downward trend in net FDI flows in the food and machinery sectors compared to Q4 2021. In Q1, investment flows in the food sector decreased by \$0.9 to -0.6 billion while investment flows in the machinery sector declined by \$2.9 billion. Transportation equipment investments declined by an estimated \$0.4 billion.
- Investment in the transportation equipment sector again outperformed those in the machinery and food sectors. The strong rebound for the machinery sector FDI in Q3 and Q4 2021 abated in Q1 2022. With an estimated \$3.8 billion and \$3.5 billion quarterly investment flow, Q3 and Q4 2021 remained among the strongest quarters in over two years for this sector.
- Investments in the food industry continued to contract during the first quarter of 2022, with a financial flow estimated at -\$0.6 billion. Accordingly, Q1 2022 is expected to be among the weakest quarters for FDI to the food sector since the onset of the pandemic.

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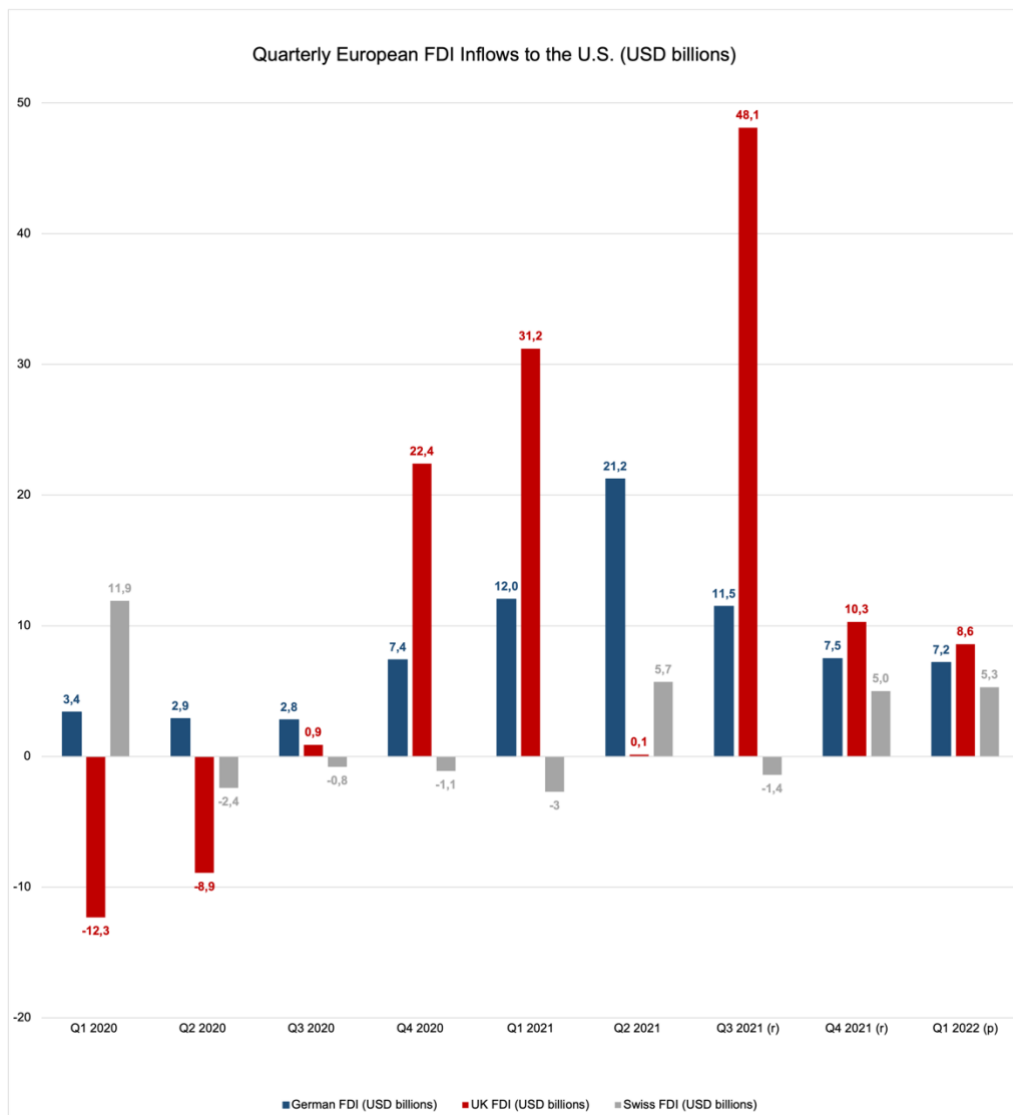


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Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2022.

- Quarterly inflows from Germany, the United Kingdom and Switzerland for Q4 2021 were revised by the BEA. German and British FDI inflows were corrected upwards from \$7.4. to 7.5 billion for the former and from \$ 5.3 to 10.3 billion for the latter. Swiss FDI was readjusted upwards as well, from \$3.6 to 5 billion.
- German FDI is expected to reach \$7.2 billion in the first quarter of 2022, a lower value than in Q1 2021. FDI inflows from Europe’s largest economy are thus on a slight downward trajectory since Q2 2021.
- FDI from the United Kingdom is following a similar pattern as German FDI. After exceptionally high investment in Q3 2021, preliminary numbers suggest FDI flows from the United Kingdom will decline to \$8.6 billion in Q1 2022. Meanwhile, Swiss FDI is

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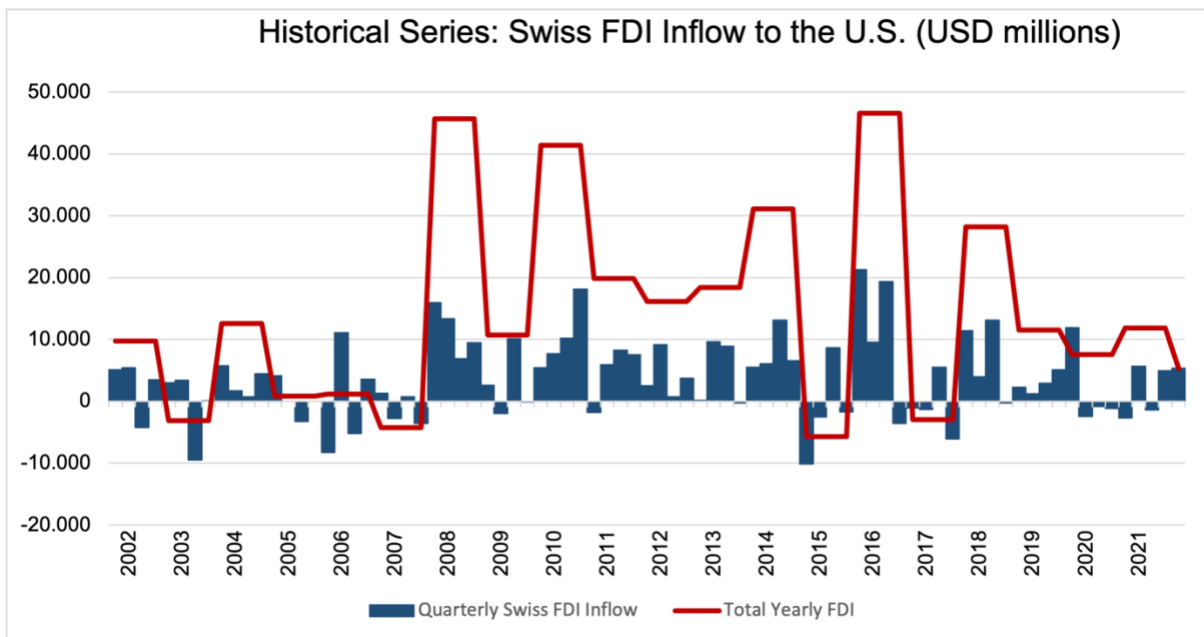


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bucking this trend with an estimated increase from \$5.0 to 5.3 billion between the fourth quarter of 2021 and first quarter of 2022.

- Taken together, the quarterly investment flows show the United Kingdom continues to rank first among the three countries with a total investment of \$89.7 billion in 2021, which is to be expected given its outsized role in international finance. Germany ranked second with \$52.2 billion in annual investment flows followed by Switzerland with \$6.6 billion.



Source: Bureau of Economic Analysis (BEA), Foreign Direct Investment in the United States: Country and Industry Detail for Financial Transactions, June 2022.

- The graph above features our fourth time series, dedicated to the development of Swiss foreign direct investments to the United States. FDI inflows from Switzerland to the U.S. continue to play an important role for the U.S. economy. Switzerland was the [eighth largest source of FDI stock to the U.S.](#) and the sixth largest from Europe. Swiss FDI inflows to the U.S. recorded their highest levels in 2016 with \$21.3 billion in Q1 and \$19.3 billion in Q3 2016. After a heavy decline in 2020, they are now again on an upward trajectory. As of 2019 Swiss FDI was supporting [490,600 jobs](#) in the United States. In addition, with [\\$109,000 per year on average](#) (2019), Swiss affiliates in the U.S. pay one of the highest average salaries. Real estate, industrial equipment and food & beverages are the top three industry sectors by number of announced FDI projects in the United States.
- Well-known Swiss investors include [ABB](#), which has invested approximately \$14 billion since 2010 and employs 20,000 people in 25 states. Swiss food and beverage producer [Nestlé's](#) footprint is even larger than ABB's with 30,000 employees across 31 states.

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Swiss high-tech industrial group OC Oerlikon has a similarly strong standing with 18 locations across the United States. Swiss companies are also active on the U.S. venture capital market. [Swisscom Ventures](#), part of Swiss telecom provider Swisscom AG, has invested in a range of U.S. startups since 2007 and operates an office in Silicon Valley.

- Aware of the many opportunities that this traditionally strong source of FDI has to offer, the TBIC will organize a visit to leading companies and business executives in Switzerland to assist them in their expansion to the U.S. market. Contact us for more information.

Spotlight Article: Trends in industrial battery production

The electric vehicle (EV) market is booming. According to the [International Energy Agency](#) (IEA), there were more than 10 million EVs on the roads in 2020. Three million new EVs were registered in 2020 alone, almost half of them in Europe (1,4 million, sales share: 10 percent) followed by China (1,2 million, sales share: 5,7 percent), and the United States (300,000, sales share: 2 percent). According to [McKinsey](#), worldwide demand for EVs is expected to increase sixfold from 2021 to 2030 and with it the demand for batteries, a key component of any type of electric car.

In January, the world's largest electric vehicle battery manufacturer CATL announced it expects its 2021 [profits to triple](#) on the back of strong consumer demand. Global Industry Analysts, Inc. estimates the [global battery market will reach a size of \\$173.7 billion by 2026](#), up from \$105.6 billion in 2021. Particularly lithium-ion batteries, the type of batteries that typically power EVs, are in high demand. Compared to other battery types, they have a high energy density, allowing them to store and release more energy where space is limited, i.e. in a car.

To match the growing demand, announcements of battery giga factories on both sides of the Atlantic are made almost daily. Korean manufacturer LG Energy Solution announced in March it will expand its battery cell plant in Holland, MI, build a new plant in [Queen Creek, AZ](#) and a further two new plants [in cooperation with GM. Ford, in cooperation with Korea's SK Innovation](#), also plans to build several battery plants in the United States. CATL, Panasonic, and Toyota similarly have plans for giga factories in the United States. Data from [fdi markets](#) tracking greenfield investments estimates EV-related manufacturing projects worth more than \$19.6 billion have been announced in the U.S. since the beginning of 2021. Recognizing the need to strengthen the domestic battery supply chain in the face of strong Asian competition and geopolitical uncertainties, the Biden Administration announced a [\\$3 billion program](#) going toward battery manufacturing to support the transition to electric vehicles on May 2, 2022.

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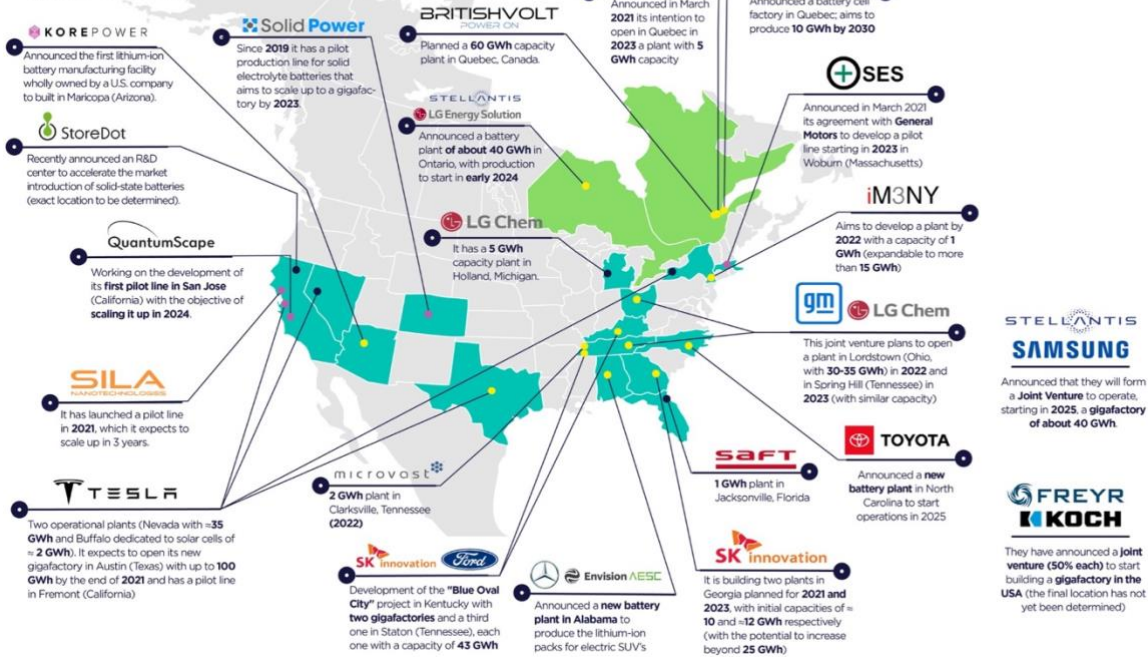
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NORTH AMERICAN BATTERY INITIATIVES

Analysis by CIC energiGUNE

Version 4. Last update: 22/03/2022



Source: [CIC EnergiGune](https://www.cicenergigune.com), March 2022

In Europe, [Tesla](https://www.tesla.com) will open its own battery production near Berlin and [CATL](https://www.catl.com) will start production at its brand new 40 GWh plant in Erfurt, Germany in Q3 this year. [Volkswagen's](https://www.volkswagen.com) ambitious plans include the construction of six battery giga factories across Europe until 2030. The first is expected to be completed by 2025 in Salzgitter, Germany, others in Sweden and Spain will follow. Additional European battery manufacturers with production expansion plans include e.g. [Blackstone Resources](https://www.blackstone.com), [Northvolt](https://www.northvolt.com), PSA/Opel and [Basquevolt](https://www.basquevolt.com). Five years ago, the European Commission launched the [European Battery Alliance](https://www.european-council.europa.eu) (EBA) to jumpstart European battery production. By 2021, the EBA's more than 750 industrial and innovation actors had invested [\\$138.7 billion \(€127 billion\)](https://www.european-council.europa.eu) to build a strong, competitive and self-sufficient European battery industry. In March, the EBA announced a further \$400 billion (€382 billion) will be needed to reach that goal. European governments are supporting these efforts with [two Important Projects of Common European Interest](https://www.european-council.europa.eu) (IPCEI) worth more than \$21 billion (€20 billion). IPCEIs are mechanisms that allow European states to subsidize strategic industries.

[Benchmark Mineral Intelligence](https://www.benchmarkmineralintelligence.com) estimates Europe will reach a manufacturing capacity of over 300 gigawatt-hours of battery capacity by 2029. However, not all the batteries produced will go to EVs. By 2030, the [stationary energy storage industry](https://www.benchmarkmineralintelligence.com) could claim up to 10 percent of overall battery production.

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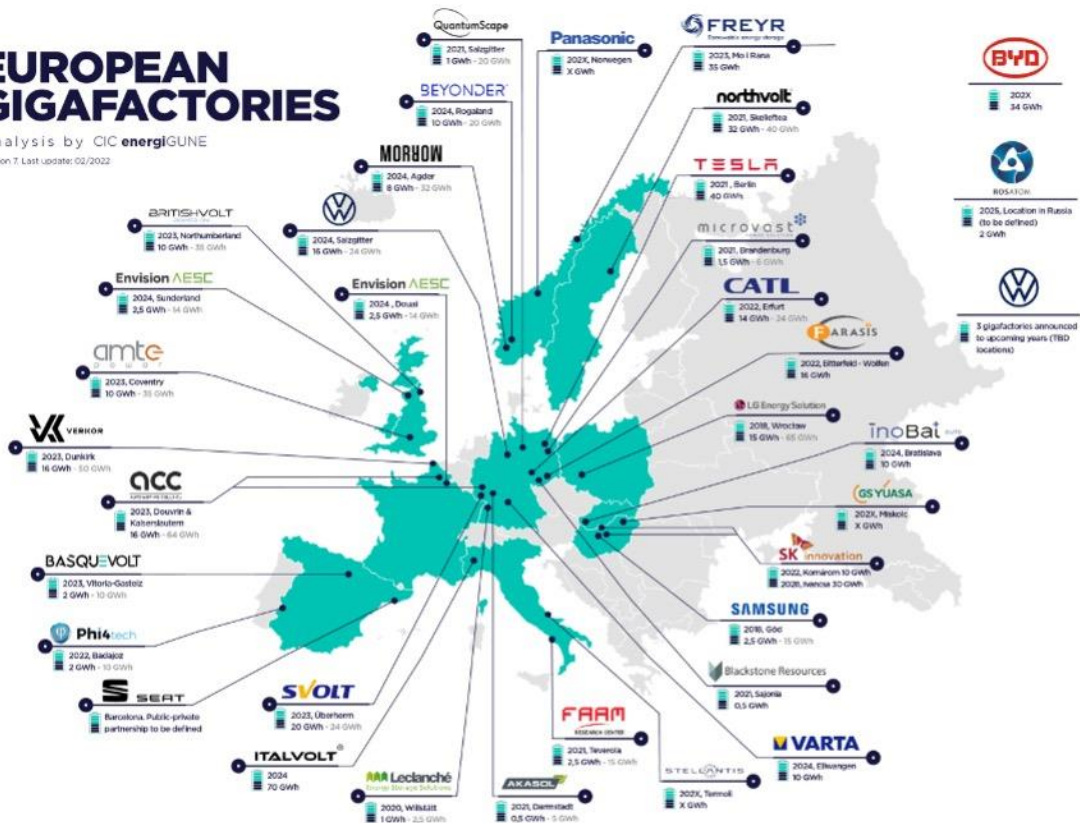


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EUROPEAN GIGAFACTORIES

Analysis by CIC energiGUNE
Version 7, Last update: 02/2022



Source: [CIC EnergiGune](https://www.cicenergigune.com), February 2022

In addition to the expansion of battery production, research into the next-generation battery technology is another hotbed of activity. With the goal of making batteries cheaper, charge faster and pack in more energy, research teams are working globally to build the battery of the future. In January, South Korean scientists developed [“the world’s best-performing all-solid-state battery”](#), drastically lengthening the drive on a single charge. [IBM Research](#) is developing a new battery chemistry technology with material extracted from seawater that could out-perform lithium-ion batteries. A lot of the ongoing research is focusing on alleviating environmental concerns and finding alternatives to rare and expensive raw materials such as cobalt, lithium, nickel, or graphite, all needed for battery production. [The University of Eastern Finland](#) for example has found a way to replace graphite as the anode with silicon. The latter has ten times the capacity and is environmentally friendly as it is made from barley husk ash.

The biggest obstacle to the current battery boom is indeed the availability of the necessary raw materials. According to the [German Mineral Sources Agency](#) (Deutsche Rohstoffagentur, or DERA), raw material supply risk is especially high for cobalt, used in the battery cell’s cathode. Political instability in the DR Congo, currently holding a market share of 69 percent in cobalt mining, and China’s dominance of refining capacities of cobalt chemicals are key factors for this assessment. While not as high a risk as with cobalt, the [DERA study on battery raw materials for e-mobility](#) also projects difficulties regarding the future supply of nickel, lithium and graphite.

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Given these supply uncertainties, battery recycling is gaining increasing attention. The EU is setting very ambitious material recovery targets for battery cathode materials (cobalt, lithium, nickel) to be phased in from 2023 onwards. In the United States, the [ReCell Center](#) is developing reprocessing techniques that would enable recyclers to e.g. extract the cathode crystals and resell them.

The battery market boom and related upturn in battery-focused R&D is also reflected in the growing number of trade fairs focusing on the industry: From June 28 to 30, the Battery Show Europe with more than 500 exhibitors took place in Stuttgart. From June 14 to 26, 2023, the electrical energy storage (ees) trade fair will take place in Munich. TBIC will be present to network with European companies in this rapidly expanding industry.

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